

**WASATCH YOUTH SUPPORT SYSTEMS**

**FINANCIAL STATEMENTS**

Years Ended December 31, 2005 and 2004

The logo consists of the letters "MHM" in a white, bold, sans-serif font, centered within a solid black square.

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors

### **WASATCH YOUTH SUPPORT SYSTEMS**

We have audited the statements of financial position of Wasatch Youth Support Systems as of December 31, 2005 and 2004 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Wasatch Youth Support Systems as of December 31, 2005 and 2004, and the results of its activities and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2006, on our consideration of Wasatch Youth Support Systems' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Mayer Hoffman McCann P.C.*

Salt Lake City, Utah

June 16, 2006

**WASATCH YOUTH SUPPORT SYSTEMS****STATEMENTS OF FINANCIAL POSITION**

December 31, 2005 and 2004

**ASSETS**

	<b><u>2005</u></b>	<b><u>2004</u></b>
<b>CURRENT ASSETS</b>		
Cash	\$ 15,366	\$ 33,121
Contracts receivable	28,344	18,888
Unconditional promises to give	34,233	34,668
Prepaid expenses	1,292	1,803
<b>TOTAL CURRENT ASSETS</b>	<b><u>79,235</u></b>	<b><u>88,480</u></b>
 <b>PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation and amortization</b>	 <b><u>13,255</u></b>	 <b><u>17,166</u></b>
 <b>TOTAL ASSETS</b>	 <b><u>\$ 92,490</u></b>	 <b><u>\$ 105,646</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 4,304	\$ 5,456
Accrued liabilities	17,459	21,777
Loan payable	9,000	-
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>30,763</u></b>	<b><u>27,233</u></b>
 <b>NET ASSETS</b>		
Unrestricted	27,494	43,745
Temporarily restricted	34,233	34,668
<b>TOTAL NET ASSETS</b>	<b><u>61,727</u></b>	<b><u>78,413</u></b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b><u>\$ 92,490</u></b>	 <b><u>\$ 105,646</u></b>

**WASATCH YOUTH SUPPORT SYSTEMS****STATEMENTS OF ACTIVITIES**

Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
CHANGES IN UNRESTRICTED NET ASSETS		
SUPPORT, INCOME AND LOSSES		
United Way	\$ 33,770	\$ 34,469
SL County Division of Substance Abuse -		
Treatment	179,918	192,963
Prevention	73,255	88,084
Medicaid	66,069	49,098
Client fees	19,822	11,977
Youth corrections division	5,702	7,612
Interest income	106	98
Miscellaneous income	416	4,746
Loss on disposal of property and equipment	-	(233)
TOTAL REVENUE	<u>379,058</u>	<u>388,814</u>
 SATISFACTION OF RESTRICTIONS	 <u>34,668</u>	 <u>33,189</u>
 TOTAL SUPPORT, INCOME AND LOSSES AND SATISFACTION OF RESTRICTIONS	 <u>413,726</u>	 <u>422,003</u>
 EXPENSES		
Program services		
Out-patient counseling	391,958	363,233
Supporting services		
Management and general	33,166	34,897
Fundraising	4,853	5,125
TOTAL EXPENSES	<u>429,977</u>	<u>403,255</u>
 INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	 <u>(16,251)</u>	 <u>18,748</u>
 CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
United Way	34,233	34,668
Net assets released from restrictions	(34,668)	(33,189)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(435)</u>	<u>1,479</u>
 CHANGE IN NET ASSETS	 (16,686)	 20,227
 NET ASSETS, BEGINNING OF YEAR	 <u>78,413</u>	 <u>58,186</u>
 NET ASSETS, END OF YEAR	 <u>\$ 61,727</u>	 <u>\$ 78,413</u>

# **WASATCH YOUTH SUPPORT SYSTEMS**

## **STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2005

	Program Services	Supporting Services		Total Expenses
	Out-patient Counseling	Management and General	Fundraising	
Salaries and wages	\$ 268,210	\$ 15,387	\$ 4,193	\$ 287,790
Employee benefits and taxes	42,164	2,421	660	45,245
<b>TOTAL SALARIES AND RELATED EXPENSES</b>	<b>310,374</b>	<b>17,808</b>	<b>4,853</b>	<b>333,035</b>
Occupancy expense	17,787	4,447	-	22,234
Professional services	34,850	4,573	-	39,423
Office expense	11,862	3,900	-	15,762
Specific assistance and awards	4,094	151	-	4,245
Travel and vehicle expenses	3,643	83	-	3,726
Insurance	3,402	-	-	3,402
Repairs and maintenance	1,932	483	-	2,415
<b>TOTAL EXPENSES BEFORE DEPRECIATION</b>	<b>387,944</b>	<b>31,445</b>	<b>4,853</b>	<b>424,242</b>
Depreciation and amortization	4,014	1,721	-	5,735
<b>TOTAL EXPENSES</b>	<b>\$ 391,958</b>	<b>\$ 33,166</b>	<b>\$ 4,853</b>	<b>\$ 429,977</b>

# **WASATCH YOUTH SUPPORT SYSTEMS**

## **STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 30, 2004

	Program Services	Supporting Services		Total Expenses
	Out-patient Counseling	Management and General	Fundraising	
Salaries and wages	\$ 259,672	\$ 17,377	\$ 4,193	\$ 281,242
Employee benefits and taxes	36,008	3,978	932	40,918
<b>TOTAL SALARIES AND RELATED EXPENSES</b>	<b>295,680</b>	<b>21,355</b>	<b>5,125</b>	<b>322,160</b>
Occupancy expense	19,460	2,162	-	21,622
Professional services	15,518	4,730	-	20,248
Office expense	17,844	4,551	-	22,395
Specific assistance and awards	3,477	-	-	3,477
Travel and vehicle expenses	3,666	407	-	4,073
Insurance	2,878	-	-	2,878
Repairs and maintenance	1,828	457	-	2,285
<b>TOTAL EXPENSES BEFORE DEPRECIATION</b>	<b>360,351</b>	<b>33,662</b>	<b>5,125</b>	<b>399,138</b>
Depreciation and amortization	2,882	1,235	-	4,117
<b>TOTAL EXPENSES</b>	<b>\$ 363,233</b>	<b>\$ 34,897</b>	<b>\$ 5,125</b>	<b>\$ 403,255</b>

# WASATCH YOUTH SUPPORT SYSTEMS

## STATEMENTS OF CASH FLOWS

Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (16,686)	\$ 20,227
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation and amortization	5,735	4,117
Loss on disposition of property and equipment	-	233
Decrease (increase) in operating assets:		
Contracts receivable	(9,456)	(7,044)
Unconditional promises to give	435	(1,479)
Prepaid expenses	511	(119)
Increase (decrease) in operating liabilities:		
Accounts payable, loan payable, and accrued liabilities	(5,470)	5,013
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(24,931)</u>	<u>20,948</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(1,824)</u>	<u>(13,736)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(1,824)</u>	<u>(13,736)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan payable, net	<u>9,000</u>	<u>-</u>
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>9,000</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(17,755)	7,212
CASH, BEGINNING OF YEAR	<u>33,121</u>	<u>25,909</u>
CASH, END OF YEAR	<u>\$ 15,366</u>	<u>\$ 33,121</u>

# WASATCH YOUTH SUPPORT SYSTEMS

## NOTES TO FINANCIAL STATEMENTS

### (1) Summary of significant accounting policies

**Nature of operations** - Wasatch Youth Support Systems (WYSS) was incorporated on March 31, 1980, as a non-profit corporation for the purpose of advancing and promoting the welfare and interests of children and youth who, for whatever reasons, are unable to take full advantage of the opportunities of our society. WYSS sponsors a program for the treatment of chronic delinquent behavior and alcohol and drug abuse that includes outpatient-counseling services for youth located in the Salt Lake City, Utah area. WYSS is operating under the support of the United Way and various governmental entities. Most of the support is contracted on a year-to-year basis and continued operations are dependent upon the renewal of such contracts.

**Use of estimates** - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Basis of accounting and presentation** - The accompanying financial statements have been prepared using the accrual basis of accounting. WYSS follows the generally accepted accounting principles for not-for-profit organizations and reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Classification of net assets is based upon the existence or absence of donor restrictions.

**Depreciation and amortization** - Depreciation and amortization are computed on the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful Lives</u>
Office equipment	5 - 7 years
Leasehold improvements	4 - 5 years
Program furniture and equipment	5 - 10 years

**Contracts receivable and support recognition** - Support is received from governmental entities on a "fee-for-service" basis, in which WYSS is reimbursed for services provided within specified contract limits. Revenue is recognized when services are performed and the contracts are billed. An allowance has not been provided for contracts receivable as of December 31, 2005 and 2004 as all amounts are considered collectible.

**Unconditional promises to give** - Unconditional promises to give are recorded at their estimated fair value. All balances are due within one year.

**Contributions** - Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use in the appropriate time period, unless specifically restricted by the donor. Amounts that are restricted for future periods or restricted for specific purposes are reported as temporarily restricted or permanently restricted support and increase these net asset classes.

## WASATCH YOUTH SUPPORT SYSTEMS

### NOTES TO FINANCIAL STATEMENTS

#### (1) Summary of significant accounting policies (continued)

When a donor-stipulated time restriction ends or a purpose restriction is accomplished, the restricted net assets are reclassified to unrestricted net assets and reported as satisfactions of program restrictions and net assets released. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

**Functional allocation of expenses** - The costs of programs and supporting services have been summarized on a functional basis in the statement of activities. All direct costs are charged to the functional area they pertain to. Indirect costs are charged to programs and supporting services based on estimates made by management taking into account the nature of the expense and how it relates to the functional area. General and administrative costs include those expenses that are not directly identifiable with any other specific function but provide for the overall support of the Organization.

**Reclassification** - Certain items in the 2004 financial statements have been reclassified to conform to the 2005 presentation.

**Income taxes** - The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and accordingly, no provision has been made for federal income tax.

#### (2) Contracts receivable

Grants and contracts receivable are deemed to be fully collectible and are comprised of the following amounts:

	<u>Years Ending December 31,</u>	
	<u>2005</u>	<u>2004</u>
Salt Lake County Division of Substance Abuse --		
Treatment	\$ 13,914	\$ 5,592
Prevention	4,749	12,980
Youth Correction	1,584	-
Medicaid	8,027	-
Other	70	316
Totals	<u>\$ 28,344</u>	<u>\$ 18,888</u>

# **WASATCH YOUTH SUPPORT SYSTEMS**

## **NOTES TO FINANCIAL STATEMENTS**

### **( 3 ) Property and equipment**

	<u>Years Ending December 31,</u>	
	<u>2005</u>	<u>2004</u>
Cost		
Office equipment	\$ 28,869	\$ 23,394
Leasehold improvements	7,841	7,359
Program furniture and equipment	8,602	12,735
Total cost	45,312	43,488
Accumulated depreciation and amortization	32,057	26,322
Net property and equipment	\$ 13,255	\$ 17,166

Depreciation and amortization expense for the years ending December 31, 2005 and 2004 totaled \$5,735 and \$4,117, respectively.

### **( 4 ) Operating lease commitments**

WYSS leases office space under a three-year operating lease agreement. WYSS retains the option to terminate the lease in case of loss of funding sources by giving thirty days written notice to the landlord prior to the termination date of the lease. Rental expense under these agreements was \$22,234 and \$21,622 in 2005 and 2004, respectively. The following is a schedule of future minimum lease payments:

<u>Years Ending December 31,</u>	<u>Total</u>
2006	\$ 18,193
2007	7,673
Totals	\$ 25,866

### **( 5 ) Related party transaction**

During the current year, the Executive Director, loaned the Organization \$10,000, of which \$9,000 is due as a loan payable at December 31, 2005. The loan is non-interest bearing and the Organization expects to repay the loan before December 31, 2006.

### **( 6 ) Economic dependency**

WYSS is dependent upon two funding sources, the loss of which could have an adverse effect on the operations of WYSS. These funding sources accounted for approximately 85% and 83% of total support for the years ended December 31, 2005 and 2004 respectively.

### **( 7 ) Concentration of credit risk**

WYSS maintains substantially all cash balances with financial institutions located in the State of Utah. Accounts at the financial institutions are insured by the Federal Deposit Insurance Corporation up to \$100,000 per institution. The Organization had no uninsured balances as of December 31, 2005 or 2004.

## OTHER REPORTS



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Directors

**WASATCH YOUTH SUPPORT SYSTEMS**

We have audited the financial statements of the Wasatch Youth Support Systems, as of and for the year ended December 31, 2005, and have issued our report thereon dated June 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Wasatch Youth Support Systems' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Wasatch Youth Support Systems' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of Wasatch Youth Support Systems' management, Board of Directors and the Salt Lake County Division of Substance Abuse Services. It is not intended to be and should not be used by anyone other than those specified parties.

*Mayer Hoffman McCann P.C.*

Salt Lake City, Utah  
June 16, 2006



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**INDEPENDENT AUDITORS' REPORT  
ON STATE LEGAL COMPLIANCE**

We have audited the financial statements of Wasatch Youth Support Systems, a non-profit corporation, for the year ended December 31, 2005, and have issued our report thereon dated June 16, 2006.

As part of our audit we have audited Wasatch Youth Support Systems' compliance with the requirements governing types of services allowed or unallowed, eligibility; matching; level of effort or earmarking; reporting and special tests and provisions of the provider contract determined to be a major State assistance program as required by the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2005. Wasatch Youth Support Systems received the following major assistance program from the State of Utah through Salt Lake County:

Division of Substance Abuse Contract (Department of Human Services) passed through the Salt Lake County Division of Substance Abuse Services.

The management of Wasatch Youth Support Systems is responsible for its compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Wasatch Youth Support Systems' compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Wasatch Youth Support Systems complied, in all material respects, with the requirements governing types of services allowed or unallowed, eligibility; matching; level of effort or earmarking; reporting and special tests and provisions applicable to its major State assistance program for the year ended December 31, 2005.

*Mayer Hoffman McCann P.C.*

Salt Lake City, Utah  
June 16, 2006